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RESEARCHING THE FUTURE INTERNET. (Brief Article)

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We do not see things as they are, we see things as we are.

The Talmud

Death can come quickly to a market trader: It is difficult to recognize that you're in a crisis and react to it when your business appears extremely healthy.

Bill Gates, more recently

The Internet is the greatest story yet of Strategic Anticipation(r). Its promise still deals mostly with the future; businesses that now generate quarterly losses but enjoy remarkable market capitalization could only be about the future. Which future? Those who anticipate reasonably well will reap the benefits of value migration to the new wired world; those who don't will suffer legendary losses.

The Internet today still represents only a primitive precursor of something we have yet to experience. A wired world with very inexpensive, addressable, two-way communication serves only as the foundation. As the media, services, and other businesses build on that foundation, everything will change. Don't let this cause you paralytic anxiety. Rather, allow it to spur excited inquiry.

What will the Internet, its offspring, and the new markets they engender be like? Let's use the principles of Strategic Anticipation(r) to develop a reasonable vision of the Internet a few years ahead.

As we discussed previously, to effectively map the future, we must consider four key elements: futures, customers, economics, and alignment. Our goal is not to predict but to identify potential opportunity.

*** FUTURES**

Let's look beyond today's Internet capabilities and assess some broad trends that promise improved business and consumer benefits. Bandwidth, which for many years has been the greatest barrier to Internet development, is expanding. High-speed access via digital fiber-optic network or satellite, supported by advanced digital compression technology, will become commonplace. This much more vibrant technical palette will drive development of new jaw-dropping environments using enhanced multimedia such as three-dimensional and virtual reality simulation, full-motion video and animation, and stereo sound. These enhancements will bring to life the Internet's greatest capability: real-time communication and feedback. This individually targeted, high-impact, two-way communication medium resides in, or among, computers, neighboring those ever-growing consumer databases.

We've already witnessed the first phase of the marriage between the Internet and consumer databases. Its offspring both delight and frighten the U.S. public. When Amazon.com greets you as an old friend and suggests books of interest, we are delighted. When we hear about volumes of varied personal data being accumulated and cross-referenced on each of us, delight turns to fright. And fright leads to public outcry! A closed-loop consumer information system could be a dream come true for marketers and researchers; but first we must use it to provide meaningful benefits to consumers while zealously guarding their privacy.

At the same time, advancements in television technology are running parallel to Internet development. TV screens have grown wider and thinner to the point that watching your favorite TV shows on a 57-inch wall screen is no longer the dream of futuristic novelists. High-definition digital television offers the choice of cinema-like pictures, endless channel capacity, or a little bit of both. Intelligent set-top boxes, or TV sets themselves, will deliver some of the capabilities associated with the Internet, but the integration of these next-generation TVs with the Internet itself may be the most awesome possibility of all.

* CUSTOMERS

As Internet penetration expands worldwide, the online population will more closely mirror the general population. No longer a universe of nerds, these are your customers, wired and ready for contact! Although global reach ranks as one of the greatest opportunities of the Internet, development varies across regions. For example, Jupiter Communications forecasts 67.6 million households online in the United States by 2003, which translates into a 63.4 percent penetration rate. That's up from 44.9 million households, or 44 percent, in early 1999. For Europe, where the Internet gap with the United States is closing, Jupiter predicts 47.3 million households online in 2003. That's a penetration rate of slightly more than 30 percent, an increase of 14.1 percentage points for the same period (see Figure 9.1). Expect wide variations among European countries as well. Jupiter Communications predicts higher-than-average increases in Germany, the United Kingdom, and Scandinavian countries (see Figure 9.2).

These forecasts encompass Internet access from both traditional PC and non-traditional devices. Set-top television boxes, game-player consoles, enhanced telephones, and personal digital assistants (PDAs), in addition to inexpensive network computers designed for instant Internet access, are creating a more diverse audience both in terms of age and household income demographics. Each may constitute very different consumer segments. How these technologies are applied will segment the market further, reflecting a great variety of needs and satisfactions. Wired versus wireless, full-featured computers versus specialized devices, entertainment versus information, business versus personal, access at home versus work--the variety will be kaleidoscopic. Some will succeed, but only some.

Consumers guard the gate. Which new services and delivery platforms will they buy? The more critical question may be, which ones will be loved enough to be purchased at high margin? It's impossible to test consumer acceptance of goods and services that do not yet exist, but we can reasonably anticipate what will differentiate winners from losers. Market research can help us understand what drives consumer purchases and usage behavior toward today's products and services. Let's look at three types of drivers: cost of entry, relevant differentiators, and unmet needs. Cost of entry refers to attributes that are simply required. Food must taste good; toys must be safe. Although a product or service receives no extra credit for these, it cannot succeed in business without them. Relevant differentiators are attributes linked to buyer values that set your product apart from others in ways that are meaningful enough for consumers to select yours over others, even at a higher price. Unmet needs are those attributes consumers wish (consciously or not) that the available brands offered but don't. They could become relevant differentiators for a new brand or the basis of an entirely new product or service.

As prospective e-businesses plan for the future--or as offline businesses assess online options--they need to ask themselves key questions: What business do we want to be in? Whose business do we have to take and expand to succeed? The next step is to question current and potential consumers of those businesses: What drives you to your current brand(s)? What's missing that we can offer and that would make enough of a difference for you to switch? Although we can't test the future, we can develop a deep understanding of the driving forces underlying the present

market configuration to reasonably anticipate the future. Market research holds the gatekeeper's key.

Two examples come immediately to mind. One of the relevant differentiators in the brokerage business has been discounting. The market historically has been segmented between full-service and discount brokers. Online brokers like E*Trade recognized that driver and ran with it, bypassing traditional discount brokers. Recognizing the significance of this Strategic Anticipation(R), Schwab quickly followed suit. Online brokers still need to meet the cost of entry requirements, such as the certainty that your trade will be executed promptly and accurately. As these businesses evolve and grow, the search continues to identify unmet needs that can be serviced interactively. Studying lead users would be an excellent way to identify these needs. Those that find them first, execute well, and communicate boldly can expect to segment the market further, winning the most profitable customers as the value migrates with them.

Book retailing provides the second example. Brick-and-mortar booksellers had segmented into the small mall shops, such as B. Dalton, which carries limited but popular titles, while larger Borders and Barnes & Noble stores offer wider selection with a reader-friendly atmosphere. Selection is a relevant differentiator that can be totally fulfilled online. Amazon.com did just that.

* ECONOMICS

Online commerce will continue to fuel Internet expansion. E-commerce sales may have been as high as \$8 billion for 1998, and some forecasts predict up to \$1 trillion in Internet sales by 2003. The marketplace has spoken, erasing any prior fears that consumers would shun online credit card transactions. The more businesses use the Internet and World Wide Web to market and sell products, the more consumers take advantage of it. Recent studies estimate that 60 percent of the Internet user population now shops online. At the same time, an even greater population exists for infomercial, home shopping, and catalog purchasing, and they are waiting for a good enough reason to move online.

Many companies now are investing to build an online consumer franchise that will enable them to reap the benefits of this soon-to-be megaharvest. Businesses that barely existed a decade ago, such as Amazon.com, eBay, Yahoo!, and E*Trade are now major brands and almost household names. America Online, an even greater population exists for the Internet, has surfed its way to success. Microsoft, for example, generated 133.4 million banner ad impressions the week ending July 18, 1999, and reached 29.5 percent of home Internet users, according to the Nielsen/NetRatings. Amazon.com was second, with 69.8 million impressions reaching 23.8 percent of home Internet users in the same week. Once these penetration figures are multiplied by a much larger online population base and each household increases its online purchase rate, the economies of scale will be staggering.

Market research can measure the size of these audiences, but more importantly it can help us understand their characteristics and dynamics. Is your site attracting the types of visitors that will help you meet your business objectives? What aspects or features of your site attract them? What's your repeat visit rate, your average visit duration, and your total reach of your target group in a month? Online ratings services can answer these questions for you, but your insightful analysis of their answers can guide you to a strategy that builds and retains the right consumer franchise on which to build a growing, profitable e-business.

E-commerce may have stolen the show for now, but online advertising revenues continue to grow, reaching \$2 billion for 1998. Many businesses deliver superior customer service online, globally, 24/7, at a fraction of the cost of a telephone center. A few have begun to address the real opportunity of relationship marketing. Rising postal, paper, and labor costs created a barrier to ongoing dialogue between brands and their consumers. The Internet, therefore, offers a far superior and affordable

communication channel. Not every business can sell directly online, but every business must bond with its most profitable consumers.

Even though Ernst & Young believes that ultimately the most value will be derived from economic transfers (business-to-business) online, customer interfaces (be it advertising, information, or transactions) will likely all be powerful forces online, and quite possibly the online impact will overshadow the offline arena for all three soon. So research will be used here to address many of the same issues that face e-commerce, with an important addition--determining the effectiveness of your marketing communications. Traditional research tools of copy testing and tracking already have migrated to the Web and closely mimic their traditional counterparts. This creates a bridge between old and new media. But the Web offers something more--the passive monitoring of actual behavior after exposure. If you want your advertising to influence consumers' actions online, you can monitor the outcome by setting a cookie on the browser. Public attitudes toward cookies are changing. Not long ago they were feared as agents of Big Brother, surreptitiously snooping on your every move. Today, many users recognize them for what they are--agents of convenience. Nevertheless, it is essential that researchers ensure the privacy of their respondents. This trust cannot be broken.

* ALIGNMENT

Right now there's a 50 percent chance that your business has a Web site. Many are either conducting online transactions now or are working towards that goal. Commerce is a key unifying force for Web-related business development. Although large companies paved the way for online commerce, small businesses are entering the marketplace at an amazing rate. A 1999 study by IDC, a Framingham, Massachusetts-based market research firm, reported that 1.2 million small businesses with fewer than one hundred employees had Web pages at the end of 1998, more than double the number of pages in 1997. And the number of small businesses is expected to double once again to 2.1 million online-by the turn of the century. The once-in-a-lifetime opportunity to unseat an industry leader--the David versus Goliath factor--is a powerful magnet. Yahoo!, Amazon.com, and E*Trade, among others, have overtaken established rivals. Who's next?

* A NEW VISION

So what can we extrapolate from these four elements? We could foresee a marriage between television and the Internet, one that creates a powerful platform for exposure and transactions. The Internet we're likely to be using in the near future will probably resemble--or even be a part of--your television set. The Internet, in turn, will become a conduit into the home and provide a level of consumer convenience well beyond anything we see today as more and more consumers embrace TV-based shopping. But this is just one scenario!

As we strategically anticipate the future of marketing in the next generation of the Internet, we foresee a large number of scenarios. But first we should note that there might be more to this medium than consumer marketing. The future of television transmission, telephony, radio, and other media may all lie with the Internet. Business-to-business applications online are already huge. These need to be considered as potential resource competitors or resource underwriters. For simplicity, for now we will limit our scope to consumer marketing (but the same logic can obtain for business marketing as well).

We can anticipate at least four delivery platforms--television, the PC, the PDA, and the protean potential of smart household appliances. It's easy to anticipate entertainment appearing on television, information on PCs, brief reminders on PDAs, and appliances diagnosing and repairing themselves as they phone into technical support. Platforms and applications actually may cross in ways we cannot begin to imagine. Consider just six potential applications: entertainment, information, communication, transactions, notification, and activation. Now cross them with the four delivery platforms. Will we see entertainment on television, PCs, PDAs, or

appliances? Just imagine! The first two already exist. Games on PDAs seem likely. The Today Show on your toaster? Unlikely. But let's play the game out to consider the 24 possible combinations of platforms and applications; how many are likely, and which will be big businesses? But wait, there's more! Don't forget the consumers; how many different types might there be? We can count on at least nine likely segments-- couch potatoes, surfers, chatters, e-mailers, researchers, need-to-know-nows, recreational shoppers, smart shoppers, and computer geeks. Multiplying segments by applications and platforms yields well over two hundred possible new businesses. The Internet offers an outstanding playing field for Strategic Anticipation (R)!

* RESEARCHING THE FUTURE

The Internet provides unique capabilities for Strategic Anticipation (R). Panels, for example, are very efficiently constructed online. A group of experts from around the world can readily collaborate on scenarios using bulletin boards, chat, or simple email. Delphi online may transmute into a substantially superior technique. Those most engaged could rapidly trade ideas, providing enhanced perspective for those less involved. The Internet is a natural setting for Delphi; it began as a means for scientists around the world to communicate with each other toward a similar end.

Lead-user techniques have at least two Internet applications. Lead users can be both identified and recruited for panels online, which will facilitate their communication with the business. More importantly, it will enable structured or unstructured communication among themselves to accelerate the evolution of their usage. In this setting the lead user and expert panel look quite similar, while the options for information gathering become quite rich, including:

- * Internet-based conferences.
- * Chat-based online focus groups.
- * E-mail query and response.
- * E-mail- or Web-based surveys.
- * Collaborative scenario building.
- * Delphi.

With the Internet as a vehicle, we can expect significant reductions in cost, effort, and cycle time, which makes both Delphi and lead-user techniques much more useful tools for decision makers. We hope to see them applied more commonly, pointing the way to profitable new businesses.

* RESEARCHING THE FUTURE OF THE INTERNET

Now let's turn the mirror on itself. Lead-user inquiry is an ideal instrument for understanding how use of the Internet may proceed. One telecommunications company is studying those customers who are already making the bulk of their long-distance calls via the Internet. Learning their reactions, motivations, and frustrations will enable this company to develop an offering to keep these heavy users in their customer base and their company in the long-distance business. History offers some harsh lessons. Telegraph companies weren't interested in the telephone, but their customers were! Long-distance companies can't ignore the Internet. Sprint and MCI already carry much of the Internet traffic. AT&T recently bet big on cable television--an even bigger pipeline into the home. Studying lead users could teach them how to capture even more of the value migration, be it through branded online service or bundling online, telephone, television, or in-home equipment or carriage. Most of the largest corporations in the United States are betting heavily on one or more of these scenarios. Their lead users can help them win.

* THE FUTURE OF E-COMMERCE

Today's e-commerce businesses have several commonalties. Using the principles of Strategic Anticipation (R), we should consider futures, consumers, economics, and alignment. Much of the near future's technology is already in hand; we just have to anticipate how it will be applied. Bandwidth will increase, and with it the visual appeal of Internet communications, providing far greater persuasive power than currently

available. The types of products typically sold online today require no convincing--computers, books, CDs, and even drugs and nutritional supplements can be purchased by title or model number. Selling automobiles may prove more challenging.

The convergence of the Internet and the television heightens impulse buying. Think of a viewer clicking on an article of clothing or a piece of furniture featured in the entertainment program they are watching. The potential for music, videos, and books to be sold much like T-shirts at a concert is so obvious it's barely worth mentioning. Sponsorships may return in a big way, this time selling their licensed wares during the programming.

Highly (artificially) intelligent data mining of massive consumer databases may enable a specific product to be recommended to each shopper with complete confidence in their total satisfaction with it. Wasn't it those legendary liberal return policies that overcame consumer fear and skepticism to launch catalog shopping into mass success? Couldn't an equally powerful legend be constructed around smart shopping? "The computer picked out my new sofa, and it's perfect for me!"

The economics of e-commerce are simple. Substitute the cost of home delivery for the cost of retail distribution. It's a no-brainer for products with low delivery cost and high retail markups, especially those with tremendous variety for which the inventory costs of carrying a large selection become onerous--books, CDs, airline tickets, drugs, and the like. As more such products fill the home delivery pipeline, we might anticipate volume-driven home-delivery price reductions. These, in turn, will change the economics further, bringing more products into the e-commerce orbit. Where will this process end? That's a great question for a lead-user study--how far will they go?

The competitive economics of e-commerce paint a less rosy scenario. Neoclassical economic theory tells us that under perfect competition, prices are continually cut under marketplace pressure until profits are minimized. If the migration of retail business from brick-and-mortar to virtual stores represents the first phase of e-commerce, the fierce future of perfect online competition threatens to be the second phase. How might this unfold? How might it be averted? A Delphi study among online retail gurus might enable us to anticipate the moves of the game to find an outcome acceptable to all and a road that leads there.

Consumers, as always, hold the key. We may build it, but if they don't come, we have a disaster! What are the benefits that will move their business online? These will certainly vary by product category and consumer segment. Which segments in which categories will be large enough and profitable enough for investment? What benefits will be the price of entry, and which promise to provide a brand with the relevant differentiation required for exceptional profit margins? Studying today's lead users may offer some clues; following lead users over time, however, will prove very instructive. Commitment to continuous learning and business revisioning separates the profitable leaders from the struggling followers.

Aligning the processes that provide benefits to consumers and economic value to businesses is no different, in concept, on the Internet. The unconstrained possibilities are so huge, the capital requirements relatively cheap, and the maneuverability of a virtual business so great that failure seems almost impossible. This is a very dangerous illusion! More now than ever, a scenario-planning approach is essential. The maneuverability that makes you comfortable also provides stealth to your competitors--especially those whom you don't realize are already coming up behind you! Technological or economic foundations can vaporize overnight. You need to prepare for almost anything. Scenarios enable you to consider the possibilities and prepare for them in advance.

* THE FUTURE OF MARKETING COMMUNICATION

Large investments are being made today, particularly in one scenario--interactive television convergence. Viewers are expected to

actively interact with their televisions by selecting both programming and advertising. The highly refined targeting of such ads and the high level of viewer involvement will provide a marketing communications vehicle of such effectiveness that traditional television will pale before it. This intelligent, digital system will track all of its contacts with you, learn more about you, and over time develop a trusted and more influential relationship--a virtual friend, if you will. The interactive entertainment business strategy makes similar assumptions in which viewers actively select their programming, play games, change camera angles, do their own instant replays, and more. If this fantastic new medium fails to raise typical viewers from their couch potato stupor or loses their attention as they race through all sorts of activities while the television portrays a talking lamp, for tunes will be lost.

The technology is willing. The economics are improving. Will the consumer cooperate in a way that aligns their needs with what businesses need to earn profits? That is a question for market research that parallels the program described for e-commerce.

* THE FUTURE OF EMPLOYEE COMMUNICATION

In a previous chapter we described the opportunities of tuning in to your employees with reliable research methods. Suffice it to say that the Intranet, the inside-the-company twin of the Internet, is an extremely efficient vehicle for dialogue with employees. Surveys can be executed, with all of the benefits of online research to be described in the following sections. Collaborative projects such as Delphi and scenario planning can be managed at low cost and high speed. Employee communications can be handled by the same channel.

* THE FUTURE OF RESEARCH

The Internet is beginning to revolutionize market research itself. Its ability to quickly and efficiently obtain insights into the attitudes, opinions, and behaviors of consumers will enhance or--in many cases--cannibalize traditional research techniques such as mail and telephone surveys and focus groups. E-commerce sites allow market researchers to gain these insights at the point of purchase and directly integrate them with the inquiry and purchase behavior data automatically captured by the Web site's server log. Relationship marketing promises to blur the lines between research and direct marketing, testing our ethical judgment in the process. Every online dialogue with a customer will be data. As e-commerce and relationship marketing grow, so will the customer databases. Advanced analytical techniques such as neural networks and genetic models will enable us to navigate this deluge of data to identify the key consumer insights. Doing business in a wired world will provide a depth of consumer understanding that will make today's marketing strategies seem primitive.

Market researchers must quickly grasp the Internet and take full advantage of its strategic benefits. Online research offers such promise by its ability to provide what is generally considered impossible: a technique that is faster, cheaper, and better!

Faster

Speed is the first characteristic that pops into most people's minds when weighing the benefits of online research, and for good reason. Imagine the potential of having at your disposal almost immediate, continuous feedback with customers and consumers. Survey research has often been used differently from behavioral research techniques--such as television ratings or scanner data--because of time delays inherent in its collection. But with real-time consumer feedback, online market research can more effectively support your business objectives by providing, for example, key information on awareness, attitudes, and intention on an overnight basis or real-time consumer segmentation. Consider the value such resources would add to your ability to maneuver in today's dynamic and competitive marketplace!

Cheaper

Actually, not all costs will be cheaper. But you can reduce costs for the field data collection portion of a project and achieve far greater sample sizes than ever before! Larger and more sharply targeted samples become feasible. Therefore, more specific, focused, and useful data become affordable.

Better

The Internet offers many of the best features of current research techniques. Online research can incorporate error checking and logical flow control (also known as skip patterns) in much the same way as telephone-based research, along with the convenience of a self-administered mail questionnaire. And given the fact that researchers and respondents are wired together, responses, reminders, and follow-ups are much easier for everyone concerned. Online research can deliver test stimuli to the respondents far more efficiently than mail. Of even greater potential--we believe, once bandwidth catches up--is the opportunity to use the Web's multimedia capabilities to provide audio and visual stimuli. Use your choice of music or voice-over sounds with graphics, photographs, animation, and full-motion video to motivate the respondent through the questionnaire and turn your survey instrument into more of a game (a FUN experience) than a questionnaire (a BORING chore or--if it looks like a test--even a SCARY task!).

Put all these benefits together, and they create an entirely new use for survey research. Consumer awareness, attitudes, and preferences can be monitored continuously. These added benefits will transform the way in which survey data is used to support business decisions, but more important is the potential for online research to solve the data quality problems that challenge us more and more each day.

The Internet could not have come at a better time for market research. The quality of telephone research now faces severe scrutiny as refusal rates to telephone surveys have increased during the past decade--from 40 percent in 1988 to 46 percent in 1997. Although efforts are being made to turn the tide of declining respondent cooperation, other factors come into play. For example, some who rely on research have grown dissatisfied in recent years, citing extremely lengthy time frames and high costs for data collection. Traditional market research methods may not answer questions fast enough or efficiently enough to be relevant at a time when the pace of business decision making keeps accelerating.

Online research can help resolve these challenges. As research technology progresses, market researchers have the opportunity to reinvent how they work. And those who lead will benefit from the transition from wood pulp, clip boards, and phone calls to a digital setting of household connectivity and consumer convenience.

How big will the online market research industry grow to become? Some predict that between 25 and 30 percent of all research will be conducted over the Internet by 2001. That would represent over a billion dollars. It's no surprise that research companies are investing heavily on this new vision of the future.

* THE NEXT GENERATION OF MARKET RESEARCH

As with any new technology, initial application focuses on simple translations of tasks previously accomplished with earlier technology. The real breakthroughs come some time later, after enough familiarity has evolved for a radically new vision to appear. Consider two such possibilities for online research. First, it enables total integration of attitudinal and behavioral data. The latter tells us what; the former tells us why. Putting these two pieces together more fully, you may unlock the riddle of understanding consumer behavior and therefore manage it more effectively.

The second is that the data is always there. If something happens--a new competitor emerges or your market share drops--you don't need to design, field, analyze, and interpret a new research study. You already have the data in your hands to tell you what's going on. The result:

Management reaction time is slashed.

Looking a little further into the crystal ball, we also see the potential for passive attitudinal data. This would be an oxymoron today because to get attitudes, you have to ask questions. In the wired world, however, everything is logged in a database somewhere; the questions you ask (as well as the content you seek) may tell us more than we could ever learn from the questions you answer.

* CAVEAT RESEARCH EMPLOYER!

Recent side-by-side comparisons of online and traditional surveys indicate that they would result in the same business decision. It's critical to emphasize that matching sample characteristics is still key to achieving comparability. In fact, a few issues remain unresolved as this point in time:

* Is the online universe representative of your target population?

* Can online research predict the behavior of your target population?

* Do we have a sound sampling frame? Keep in mind that the development of random-digit dialing was a key factor in the evolution of telephone research. Do we have the analog for online research at this point? Not yet.

* Do we understand response-time bias-the systematic differences between early and late responders?

* Do we know enough about the nonresponse bias that we find online?

* Do respondents report as truthfully online as they do when being interviewed by phone?

These are a few of the questions that must be answered before we can be confident that an adequate methodology has been developed to allow us to enjoy the benefits of online research. As online penetration grows, however, these issues will be resolved. The challenge for market research now is to determine when it is right for each type of study.

* DIAGNOSTIC

Do you know:

* How your profitable customers are using the Internet?

* How many of your customers or potential customers are using the Internet?

-What are they doing/using?

-What are the trends?

-Whom are they loyal to online?

* What are the drivers of growth?

* Why are they online?

* What attracts and detracts your customers to/from e-commerce?

* What are your competitors doing, and how can you outsmart them?

* If you are now online:

-What are the usage patterns? What share of your most valuable customers offline do you capture online? Why?

-How can you materially improve your relevant differentiating customer benefits via the Internet? What significant unmet needs can you now meet?

-How should you reach/communicate/transact with your customers online? What are their requirements and preferences?

-Are you using the latest ways to monitor your customers online while complying with ethical requirements?

-Do you personally read a sample of e-mails from your best customers?

-Are you monitoring key drivers of usage? Do you know the drivers?

* Regarding conduct of research online:

-How is the online population you need to learn from different from their unwired counterparts? Are these differences relevant to your interests?

-Do respondents answer the types of questions you need to ask differently online than they do using your current methodology?

-Does the information provided by the earliest responders differ from that of the later responders? How much longer must you wait for these differences to wash out? How quickly is it safe to act on online survey information?

-What are the benefits of online research to your business model? How can you maximize their bottom line impact? Could improved information flow, via the Internet, improve your business model?

* APPENDIX: ETHICAL GUIDELINES FOR THE CONDUCT OF ONLINE RESEARCH

The Advertising Research Foundation (ARF), working with the European Society For Market and Opinion Research (ESOMAR), has developed the guidelines excerpted here to protect the interests both of Internet respondents and of the users of Internet research findings. The full document is available from the ARF. (1)

Cooperation Must Be Voluntary

The privacy of Internet respondents must be sacred, and their cooperation must at all times be voluntary. No personal information that is additional to that already available from other sources should be sought from, or about, respondents without their prior knowledge and consent.

When obtaining the necessary agreement from respondents, researchers cannot mislead them regarding the nature of the research or how the findings will be used. We understand that occasions arise when the purpose of the research cannot be fully disclosed to respondents at the beginning of the interview in order to prevent biased responses. But researchers must avoid deceptive statements that could annoy or even harm respondents, such as deceiving individuals regarding the usual length of the interview or failing to alert them to the possibility of being reinterviewed at a later date. Be upfront regarding any costs they may incur, when appropriate, (online time, for example) for their cooperation in the survey. Respondents are entitled at any stage of the interview--or after the fact--to request that part or all of the record of their interview be destroyed or deleted. And researchers must conform to such requests where reasonable.

Disclose Your Identity

Respondents must be told the identity of the researcher carrying out the project and given the address at which they can contact the researcher without difficulty if they decide at a later date.

Safeguard Respondents' Rights to Anonymity

Unless they have given their informed consent to the contrary, anonymity must always be preserved. When respondents permit data to be passed on in a form that personally identifies them, researchers must ensure the information is used strictly for research purposes. Personal information cannot be used for non-research purposes, such as direct marketing, list building, credit rating, fund raising, or other marketing activities relating to those individual respondents.

Data Security

Take appropriate precautions to protect the security of sensitive data and be reasonably sure that any confidential information provided to them by clients or others is protected against unauthorized access. For example, make sure that sensitive data housed on computer networks are adequately protected by a firewall.

Reliability and Validity

Those who use market research, as well as the general public, cannot be misled in any way regarding the reliability and validity of Internet research findings. It's essential that researchers adhere to the following:

- * Follow scientifically sound sampling methods consistent with the purpose of the research.

- * Publish a clear and readable statement of the sample universe definition used in a given survey, the research approach adopted, the response rate achieved, and the method of calculating this wherever possible.

- * Publish any appropriate reservations about the possible lack of projectability or other limitations of the research findings that result

from non-response or oilier factors.

Keep in mind that any research about the Internet (penetration, user population, etc.) that uses other data collection methods, such as telephone or mail, must also clearly state any sampling or similar limitations.

* Interviewing Minors

Observe all relevant laws specifically relating to minors, although we acknowledge that identifying minors on the Internet cannot be done on the Internet with any major degree of certainty at this point. Obtain permission from a responsible adult before interviewing a minor under the age of 14. Avoid questions on topics generally regarded as sensitive wherever possible, but always handle every case with extreme care.

* Unsolicited E-Mail

Minimize unsolicited e-mail and avoid any inconvenience or irritation such electronic mail may cause the recipient by clearly stating its purpose in the first sentence and making the entire message as brief as possible. Wherever possible, give respondents the ability to exclude themselves from further mailings relating to the research project as well as from any subsequent research resulting directly from it.

FOOTNOTES:

(1.) Available from the ARE in Towards Validation Online Research Day, An ARF Emerging Issue Workshop, (New York: Advertising Research Foundation, 1999).

Robert Duboff is Partner and the Director of National Marketing for Ernst & Young. He also serves as the current Chairman of the board of directors of the Advertising Research Foundation. Duboff was previously vice president at Mercer Management Consulting, where he spent over 20 years helping clients achieve their marketing goals. He has written for publications such as the Journal of Business Strategy, Marketing Management, Advertising Age, and Across the Board.

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PROJECT LANDMARK

As one ground-breaking study revealed, no consistent or defining differences in attitudes and behaviors were found among two Internet samples and the general population. Project Landmark is a comprehensive study conducted by Market Facts and fielded through the mail to determine if the Internet could provide a valid data collection alternative for mainstream consumer goods and services. Two samples were drawn from the Market Facts consumer mail panel (CMP), which consists of more than five hundred fifty thousand prerecruited households that have agreed to participate in research projects. The panel has been in existence since 1947 and has participated in varying types of research, from mail and telephone surveys to in-person focus and groups and, most recently, online studies.

Internet access represented the key differentiating factor between the two samples. The general population sample drawn for this study was selected randomly from the CMP without regard for Internet access. The Internet population was randomly pulled from a subset of the CMP that had been previously screened for Internet access. Both groups were balanced on five key demographic characteristics: household size, household income, age of respondent, population density, and geographic location. To ensure that the impact of the Internet was isolated on attitudes and behaviors, a third sample was added and also balanced to the general population on two additional characteristics: education and occupation. By adding these two additional factors, the study was able to isolate the impact of the Internet relative to any differences attributable to these added characteristics.

Project Landmark's research uncovered no consistent or defining differences in attitudes or behaviors between the two Internet samples and the general population. What differences did exist were directional and limited to the areas of technology, media habits, research participation,

and credit card ownership.

Not surprisingly, online users are more receptive to technology, but not just with the Web. Attitudes and behaviors regarding technology expressed by the online community apparently existed before they began accessing the Internet. That is to say, their decision to surf the Web did not suddenly create a more favorable attitude toward technology and made them rush out to the nearest high-tech store. Adopting the Web was a logical extension.

Differences in media consumption and habits were expected, given the fact that previous research indicated that the Internet population watches less TV and relies more on the Web for their information needs than the general population. They're more likely to read business and travel-related publications and nationally recognized newspapers, which is consistent with their desire to obtain information and their greater inclination to travel. Therefore, the Internet audience can serve as a key prognosticator of future media behavior. Media habits will continue to shift as Web acceptance approaches critical mass. Gaining an understanding of these trends will certainly help your business to strategically anticipate future media efforts and direction.

Online users, particularly males, are more receptive to participating in marketing research and more likely to participate in research studies, which is a key finding for the research community. This group-younger males in particular-traditionally has been difficult to research. The Internet as a data collection tool will likely increase response rates among this group.

It's no surprise to find, higher levels of credit card ownership among online users. After all, the ability to open and maintain an online account requires submission of a credit card number.

Once you get past technology and information gathering, online users live their lives very much the same way as the general population. The Internet itself does not appear to impact a user's basic beliefs, attitudes, or behaviors. But consistent distinctive attitudes toward technology, innovation, and ethnocentrism did surface.

The online population believes technology now has and will continue to have a positive impact on their lives. They feel that technology gives them an edge for the future, and they respect those who achieve computer literacy. The general population takes a different view, particularly in their opinion that technology hinders social skills and their belief that you don't need to be able to use a computer today; Regarding innovation, online users were more likely to describe themselves as "tinkerers" (that is, those with a desire to tinker with something they can't figure out, as opposed to asking for help) than the general population. In the area of ethnocentrism, online users proved less fervid about buying U.S. made products than their general population counterparts.

OPINION POLLS

As the Internet universe veers toward the mainstream, Harris Black International found that online research can indeed predict population behavior. In 1998, the company attempted to forecast the outcome for gubernatorial and senatorial races in 14 states by using both its traditionally successful telephone survey methodology and comparing its results with those of an online survey. As part of the Harris Election 1998 Experiment, researchers invited members of its Harris Poll Online (including nearly three million members at the time) to visit a password-protected Web site and participate in two 10-minute surveys. With 24/7 availability, researchers found that online members took part in the pioneering effort at all hours of the day.

The result: The Harris Election 1998 Experiment correctly predicted the winner in 21 of 22 races. The average error of projections for the 44 main candidates (2 candidates in each of the 22 races) came out slightly less than 4 percentage points, which they reported is nearly identical to the average error for telephone polls for similar elections.

The Harris Election 1998 Experiment established that online surveys, drawing from a base of almost 3.9 million Internet users, could produce remarkably accurate predictions of voter behavior and compared favorably in most areas with the results from telephone, mail, and in-person interviews. Moreover, it brought more validation to the concept of using the Internet for mounting nationally representative research.

QUAKER OATS

To determine the feasibility of converting a tracking study of Rice Cakes from shopping mall-based to Internet-based research, Quaker Oats conducted a side-by-side comparative study. How did the data compare? Both methodologies delivered very similar data regarding measured levels of total brand awareness, total ad awareness, overall liking, purchase interest, and attribute ratings. Some differences became evident, however, between the online and offline methodologies.

Quaker, which was performing its tenth wave of an awareness, attitude, and usage (AAU) tracker that had historically been conducted via mall intercept using a central location test (CLT), used dual, simultaneous (mall and online) methodologies, both of which used shelf shots and print and TV ads as visual stimuli. The study had two primary objectives:

1. Maintain trendability, and thus usability, of all tracking measures.

2. Measure comparability of the two to determine what, if any, differences emerged between the two methodologies.

The offline study was a mall intercept via CLT screening for female, primary grocery shoppers who also purchase rice in four geographically dispersed markets that had been used before in previous waves. The online version took place on Opinion Place--a specialized research site that offers a wide range of research methodologies in a secure environment within the America Online (AOL) proprietary network. The site (AOL keyword: Opinion Place), which was developed by Digital Marketing Services, a joint venture of AOL and The M/A/R/C Group, attracts between twenty thousand to thirty thousand AOL members a week.

Online promotions invited potential respondents to visit Opinion Place at their convenience to see if they qualified for the study. When AOL members enter Opinion Place, they are directed to a screening questionnaire. Before they begin it, however, they are randomly assigned to one of the surveys currently being conducted. Users have no knowledge of the types of surveys that are being conducted or any control over which survey to which they are assigned.

After finishing the brief screening questionnaire, the system analyzes whether respondents qualify for the survey to which they were previously assigned. If they do qualify, respondents are directed to that survey. If not, Opinion Place checks to see if they qualify for one or more of the other current research studies.

The Quaker study involved more complex programming in order to capture, and actively refer to, unaided awareness data. Qualified respondents (screened for the same qualifications as those in the CLT study) were redirected from AOL to the study located at www.opinion-web.com (The M/A/R/C Group's Web-based survey domain), which provided the needed programming.

Several issues came to light during development of this study. Researchers had to manage the differences between a self-administered, online questionnaire and an interviewer-administered CLT questionnaire to ensure trendability of the collected data. Rewording the questionnaire to a self-administered format added some complexity to the questionnaire development process.

Graphics capabilities had an impact on the kind of visual stimuli used. For example, the shelf shot used to spur awareness differed between the two studies. Mall respondents saw a complete photograph of brands in the category; online respondents saw four separate shelves, which were then presented one at a time, with the names of the brands listed below, due to

restrictions on graphics resolutions and download times.

Presentation of TV ads for evaluation were fairly similar. In the mall, a photo board was handed to the respondent. In the online study, the photo board pictures and text were presented using an animated graphics format that automatically advanced each frame of the photo board after a predetermined time.

How did the data compare? Both methodologies delivered very similar data. Measured levels of total brand awareness, total ad awareness, overall liking, purchase interest, and attribute ratings were not significantly different, but some results varied. For example, online unaided brand awareness was less specific in the online study than in the mall study as shown in Table A9.1 and could be attributed to the lack of personal probes normally provided by a live interviewer.

Variations in presentation could also be responsible. Mall respondents saw an 8" X 10" photographic shelf shot, while online respondents viewed one shelf set at a time. The result: Online respondents viewed larger package sizes on each shelf.

A third area where data differences between the methodologies emerged was in television ad and brand recognition scores. Although overall claimed recognition levels were similar, the mall data included more incorrect responses, whereas the online data contained more "don't know" answers.

The Quaker study offers some valuable lessons for market research regarding an online platform:

- * Moving offline to online requires substantial initial time investment on both the front and back ends of the project. Make sure you factor in enough time on the front end to get the survey up and running to ensure trendability, incorporate differences between the online and offline environments, and pretest the questionnaire. Allow adequate time on the back end as well for analysis. In addition to the standard tracking analysis, you need to analyze differences between online and offline results. And if the data sets need to be combined (for example, to gain adequate base sizes), you must consider the implications of combining the data.

- * Although the online environment is similar to the offline one in many ways, differences are inherent. The Quaker study showed comparable incidence levels and interview length but also noticeable differences in terms of interviewer influence. Interviewer presence can be both a positive in terms of more detail owing to verbal probes and a negative in that more incorrect responses were in place of "do know" answers. Therefore, desired level of response detail and topic sensitivity should be consciously evaluated and built into the study design. Use online programming and logic to prompt more specifically. In this case, researchers could have included specific fields for flavor and size in the brand awareness questions.

DISCOVERY COMMUNICATIONS

In an effort to grow its home video business--as well as its profitability--Discovery Communications (DCI) developed a concept-testing system to identify high-potential title concepts prior to marketplace introduction. DCI had developed a library containing more than one hundred videocassette titles spanning such topics as history, nature, science, and technology as well as how-to videos for both adults and children. Although some of these videos had appeared on Discovery networks, others were developed directly to video.

The first phase of concept testing featured a study using titles including documentary, how-to, and family video titles that were already in the market. Two methodologies were used:

1. A three-phase approach that included mail screening followed by a concept mail-out and then a telephone interview.

2. A self-administered survey conducted on Opinion Place.

Both methods relied on the same questionnaire and were conducted

among DCI's core video target of consumer's ages 18 and older who had purchased an educational, documentary, or how-to video in the past 12 months. Each concept was rated on purchase intent, likeability, price/value, uniqueness, and a simulated purchase opportunity.

The mail portion of the study began with the distribution of 80,000 screening surveys, which resulted in 50,000 returned. Concepts then were sent out to 900 of DCI's core target. Each respondent received an envelope containing 5 of the 25 video concepts. The 25 concepts were divided into 5 sets of 5 concepts, and the order of evaluation was rotated within each set. Approximately three days following the concept mail-out, respondents were contacted by telephone for the concept interview. After preliminary video purchase behavior information was gathered, respondents verified the rotation number printed on their sealed envelope. Then they opened the envelope and placed the contents face down on a flat surface. A letter between A and E was printed on the back of each concept, and respondents were given a randomly selected letter and asked to read the corresponding concept. Then they rated the concept on purchase intent, like-ability, price/value, uniqueness, and a simulated purchase opportunity. The random selection and rating was repeated for each concept. Interviews were completed with 405 core target consumers.

The online portion used a blanket screening "Town Fair Quiz" among Opinion Place visitors to identify potential video buyers. The same screening questions were used, and respondents who met the screening criteria of having purchased an educational documentary or how-to video during the past 12 months were then invited to participate. Those who agreed received an invitational e-mail sent anywhere between two days to two weeks from the qualification date for the concept test, but it was a blinded e-mail invitation so that potential respondents were not aware of the survey subject until they logged on to it. When they entered the survey, preliminary video purchase behavior information was gathered, after which 5 of the 25 video concepts were presented. Text for the concepts was displayed one at a time on the respondent's computer screens. After reading the concept, they answered the same questions regarding like-ability, price/value, uniqueness, and a simulated purchase opportunity. As in the mail study, concepts were divided into 5 rotations with 5 concepts per rotation. Concepts within each rotation were randomly rotated to minimize first-order bias. To compensate respondents for their time-and therefore enhance cooperation-online respondents were given an incentive for completing the survey. Because all were AOL members, the incentive was either 1 hour and 20 minutes of free time for those on AOL's light-usage plan or \$2.50 off the next monthly bill for members on the heavy-usage plan. Interviews were completed with 518 core target consumers.

Although females account for most video purchases (89 percent), DCI balanced both samples to include near equal proportions of male and female respondents because males represent a key target for the company's documentary videos as well as for Discovery programming. About half of each sample had purchased videos by direct channels and the other half at retail outlets.

So what did DCI discover? The two different methodologies generated very different winning titles. For 7 out of 25 titles, the difference between the two purchase potential scores was 10 points or greater. In addition, Opinion Place generated higher scores, averaging 6 points higher. More important, the rankings of the scores were substantially different. Of particular note was the fact that DCI's best-selling title--which researchers anticipated would generate the highest purchase potential scores from both groups--did in fact rank number 1 among mail respondents but only number 10 with Opinion Place respondents.

As expected, females tend to have higher purchase potential scores than males. Opinion Place females gave an average purchase potential score of 22.2 percent, while males averaged 18.9 percent. Mail survey females had an average score of 15.1 percent; males gave an average of 13 percent.

Gender appeared to have a greater impact on title preference among mail respondents than Opinion Place respondents.

The only significant demographic difference between the two sample populations regarded age: Opinion Place respondents were younger. Weighting the data to balance the age, however, did not generate similar scores between the two groups.

Given the differing results, DCI decided to use the mail panel for future video concept testing to more accurately reflect the general video buying population. However, the company plans to continue using Opinion Place when appropriate for studies involving men or online users.

A cautionary tale!

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